

TOWN OF CLAYTON, OKLAHOMA
ANNUAL FINANCIAL REPORT
JUNE 30, 2014

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the Board of Trustees
Town of Clayton
Clayton, Oklahoma

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Clayton, Oklahoma as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Clayton, Oklahoma's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statement.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Town of Clayton, Oklahoma as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The Town of Clayton, Oklahoma has not presented Management's Discussion and Analysis or budgetary comparisons that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Other Information

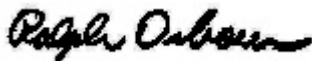
My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 13, 2017, on my consideration of Town of Clayton, Oklahoma's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Clayton, Oklahoma's internal control over financial reporting and compliance.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
March 13, 2017

TOWN OF CLAYTON, OKLAHOMA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental	Business	
	Activities	Type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 84,075	\$ 146,360	\$ 230,435
Accounts receivable	44,334	61,252	105,586
Accrued interest receivable	-	20	20
Total current assets	<u>128,409</u>	<u>207,632</u>	<u>336,041</u>
Non-current assets:			
Restricted cash - Rural development	-	268,009	268,009
Restricted cash - Customer deposits	-	26,311	26,311
Restricted cash - Debt reserve	-	10,145	10,145
Investments	-	18,703	18,703
Restricted investments -			
Customer deposit	-	13,744	13,744
Capital assets, net	<u>156,296</u>	<u>2,658,832</u>	<u>2,815,128</u>
Total non-current assets	<u>156,296</u>	<u>2,995,744</u>	<u>3,152,040</u>
Total assets	<u>284,705</u>	<u>3,203,376</u>	<u>3,488,081</u>
LIABILITIES			
Current liabilities:			
Accounts payable	4,921	276,750	281,671
Payroll liabilities	16,714	3,185	19,899
Accrued interest payable	-	12,356	12,356
Lease purchase, current	3,264	-	3,264
Notes payable, current	-	31,896	31,896
Total current liabilities	<u>24,899</u>	<u>324,187</u>	<u>349,086</u>
Non-current liabilities:			
Customer deposits payable	-	38,474	38,474
Lease purchase, non-current	8,792	-	8,792
Notes payable, non-current	-	1,743,737	1,743,737
Total non-current liabilities	<u>8,792</u>	<u>1,782,211</u>	<u>1,791,003</u>
Total liabilities	<u>33,691</u>	<u>2,106,398</u>	<u>2,140,089</u>
NET POSITION			
Capital assets, net of related debt	156,296	883,199	1,039,495
Restricted for			
Debt service	-	10,145	10,145
Customer deposits	-	40,055	40,055
Unrestricted	94,718	163,579	258,297
Total net Position	<u>\$ 251,014</u>	<u>\$ 1,096,978</u>	<u>\$ 1,347,992</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CLAYTON, OKLAHOMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Function/Programs	Expenses	Program Revenue			(Expenses) Revenue
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
General government	\$ 485,763	\$ -	\$ 32,506	\$ -	\$ (453,257)
Public service	8,839	-	-	-	(8,839)
Public safety	43,656	-	4,474	-	(39,182)
Ambulance	36,588	-	-	-	(36,588)
Cemetery	1,150	-	-	-	(1,150)
Street and alley	7,401	-	5,621	-	(1,780)
Total governmental activities	583,397	-	42,601	-	(540,796)
Business-type activities					
Public Works	465,500	278,346	477,821	-	290,667
Total business-type activities	465,500	278,346	477,821	-	290,667
Total primary government	\$1,048,897	\$ 278,346	\$ 520,422	\$ -	\$ (250,129)

Primary Government		
Governmental Activities	Business-type Activities	Total

Changes in net Position:

Net (expense) revenue	\$ (540,796)	\$ 290,667	\$ (250,129)
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General revenues

Taxes			
Sales tax	337,255	-	337,255
Franchise tax	17,121	-	17,121
Cigarette tax	4,035	-	4,035
Donations	16,365	-	16,365
Cemetery	3,000	-	3,000
Pilot tax	3,230	-	3,230
Interest	48	123	171
Charges for ambulance	102,614	-	102,614
Fines	33,733	-	33,733
Transfers, net	(64,207)	64,207	-
Payroll reimbursement	13,978	6,369	20,347
Insurance proceeds	16,057	-	16,057
Other revenue	4,661	-	4,661
Total general revenue and transfer	487,890	70,699	558,589
Change in net Position	(52,906)	361,366	308,460
Net position - beginning	303,920	735,612	1,039,532
Net position - ending	\$ 251,014	\$ 1,096,978	\$ 1,347,992

The accompanying notes are an integral part of these financial statements.

TOWN OF CLAYTON, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Total Governmental Fund
ASSETS		
Cash and cash equivalents	\$ 84,075	\$ 84,075
Accounts receivable	<u>44,334</u>	<u>44,334</u>
TOTAL ASSETS	<u>\$ 128,409</u>	<u>\$ 128,409</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 4,921	\$ 4,921
Payroll liabilities	<u>16,714</u>	<u>16,714</u>
TOTAL LIABILITIES	<u>21,635</u>	<u>21,635</u>
FUND BALANCES		
Unrestricted	<u>106,774</u>	<u>106,774</u>
TOTAL FUND BALANCES	<u>106,774</u>	<u>106,774</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 128,409</u>	

Reconciliation of Balance Sheet - Governmental funds
with the Statement of Net Position:

Amounts reported in the statement of net position
are different because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds.

Capital assets	475,503	
Accumulated depreciation	<u>(319,207)</u>	<u>156,296</u>

Certain long-term liabilities are not due and payable
from current financial resources and, therefore, are not
reported in the funds:

Capital lease obligation payable	<u>(12,056)</u>
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Total net position	<u>\$ 251,014</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF CLAYTON, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Total Governmental Fund
Revenue		
Sales tax	\$ 337,255	\$ 337,255
Franchise tax	17,121	17,121
Auto tax	5,621	5,621
Cigarette tax	4,035	4,035
Alcoholic tax	32,506	32,506
Charges for ambulance	102,614	102,614
Fines	33,733	33,733
Miscellaneous	4,661	4,661
Grants	4,474	4,474
Donations	16,365	16,365
Cemetery	3,000	3,000
Pilot tax	3,230	3,230
Interest	48	48
Insurance proceeds	16,057	16,057
Payroll reimbursement	<u>13,978</u>	<u>13,978</u>
Total revenue	<u>594,698</u>	<u>594,698</u>
Expenditures		
Current		
General government	441,963	441,963
Public service	8,839	8,839
Public safety	43,656	43,656
Ambulance	36,588	36,588
Cemetery	1,150	1,150
Street and alley	<u>7,401</u>	<u>7,401</u>
Total expenditures	<u>539,597</u>	<u>539,597</u>
Excess (deficiency) of revenue over (under) expenditures	55,101	55,101
Other financing sources (uses)		
Transfer to other funds	<u>(64,207)</u>	<u>(64,207)</u>
Net changes in fund balances	(9,106)	(9,106)
Fund balances, beginning	<u>115,880</u>	<u>115,880</u>
Fund balances, ending	<u>\$ 106,774</u>	<u>\$ 106,774</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CLAYTON, OKLAHOMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Net changes in fund balances - total governmental funds \$ (9,106)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those cost are shown in the combined statement of net assets and allocated over their estimated useful lives as annual depreciation in the statement of activities. This is the amount by which capital outlay exceeds depreciation outlay in the period.

Depreciation expense	(44,961)	
Capital outlay	<u>-</u>	<u>(44,961)</u>

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund. Long-term liabilities at year end consist of:

Lease obligations	<u>1,161</u>
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Change in net position	<u>\$ (52,906)</u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF CLAYTON, OKLAHOMA
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2014

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 146,360
Accounts receivable	61,252
Accrued interest receivable	<u>20</u>
Total current assets	<u>207,632</u>
Non-current assets	
Restricted cash - Rural development	268,009
Restricted cash - Customer deposit	26,311
Restricted cash - Debt reserve	10,145
Investments	18,703
Restricted investments - Customer deposit	13,744
Capital assets, net	<u>2,658,832</u>
Total non-current assets	<u>2,995,744</u>
Total assets	<u>3,203,376</u>
LIABILITIES	
Current liabilities:	
Accounts Payable	276,750
Payroll liabilities	3,185
Accrued interest payable	12,356
Note payable, current	<u>31,896</u>
Total current liabilities	<u>324,187</u>
Non-current liabilities:	
Customer deposits payable	38,474
Notes payable, non-current	<u>1,743,737</u>
Total non-current liabilities	<u>1,782,211</u>
Total liabilities	<u>2,106,398</u>
NET POSITION	
Capital assets, net of related debt	883,199
Restricted for:	
Debt service	10,145
Customer deposits	281,753
Unrestricted	<u>(78,119)</u>
Net position of business-type activities	<u>\$ 1,096,978</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CLAYTON, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Water	\$ 151,681
Wastewater	67,940
Sanitation	37,899
Water/sewer taps	300
Other revenues	20,526
Total operating revenues	<u>278,346</u>
<u>OPERATING EXPENSES</u>	
Salaries and wages	66,372
Water costs	131,531
Sanitation	43,122
Wastewater	421
Maintenance	1,314
Materials and supplies	9,870
Other services and charges	14,129
Insurance	9,181
Professional fees	6,895
Utilities and telephone	9,725
Depreciation	127,312
Total operating expenses	<u>419,872</u>
Operating income (loss)	<u>(141,526)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Grant revenue	477,821
Grant expense	(5,662)
Interest revenue	123
Interest on notes payable and fees	(39,966)
Payroll reimbursement	6,369
Total non-operating revenue (expenses)	<u>438,685</u>
Income (loss) before transfer	<u>297,159</u>
Transfer from other funds	64,207
Total Transfers	<u>64,207</u>
Change in net position	361,366
Total net position, beginning	<u>735,612</u>
Total net position, ending	<u>\$ 1,096,978</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CLAYTON, OKLAHOMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ 278,346
Cash payments to employees	(66,372)
Cash payments to suppliers	
for goods and services	44,858
Net cash provided (used) by operating activities	<u>256,832</u>
Cash flows from capital and related financing activities	
Loan proceeds	1,266,593
Grant revenue	477,821
Grant expense	(5,662)
Payroll reimbursement	6,369
Acquisition of fixed assets	(1,740,752)
Interest paid on notes payable and fiscal fees	(39,966)
Principal paid on notes payable	(41,342)
Net cash used for capital and related financing activities	<u>(76,939)</u>
Cash flows from investing activities	
Transfer to investments	(64)
Interest revenue	123
Sales tax allocation - transfer	64,207
Net cash provided by investing activities	<u>64,266</u>
Net change in cash and investments	244,159
Cash and cash equivalents, beginning	<u>206,666</u>
Cash and cash equivalents, ending	<u>\$ 450,825</u>
Reconciliation of operating income (loss) to net cash provided/(used) by operating activities:	
Operating income (loss)	\$ (141,526)
Adjustments to reconcile operating income to net cash provided/(used) by operating activities:	
Depreciation	127,312
Changes in assets and liabilities:	
(Increase)/decrease in accounts receivable	(1,808)
(Increase)/decrease in grant receivable	10,593
Increase/(decrease) in accounts payable	247,472
Increase/(decrease) in payroll liabilities	1,010
Increase/(decrease) in accrued interest payable	7,637
Increase/(decrease) in customer deposits	6,142
Net cash provided/(used) by operating activities	<u>\$ 256,832</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF CLAYTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Clayton, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The Town operates under a Board of Trustees form of government and provides the following services: general government, public safety, public works, parks and recreation. The basic financial statements include the departments, agencies, and other organizational units over which the Board of Trustees exercise oversight responsibility. In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and No. 39. Based on the criteria there are no component units to report. The definition of the financial reporting entity is primarily based on the concept of financial accountability. The financial reporting entity consists of the primary government (the Town), and activities for which the primary government is financially accountable, and the activities of Clayton Public Works. Financial accountability exists if a primary government appoints a voting majority of an organizations governing body, and is either able to impose its will on the organization or there is a potential for the organization to provide a specific financial benefit to, or impose specific financial burdens on, the primary government. Based upon the application of these criteria, there are no other entities to include in the Town's financial statements.

Clayton Public Works Authority was created under the provisions of Title 60 Oklahoma Statutes Sections 176 to 180. The Authority is managed by a Board of Trustees made up of members of the Town Board of Trustees. The Authority operates sanitation and sewer services for the Town of Clayton. The Authority is reported as a proprietary fund.

The accounting policies of the Town conform to accounting principles generally accepted in the United States of America applicable to government units.

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

TOWN OF CLAYTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements of the Town are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments. Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements and financial statements of Town component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues, if any, are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 30 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

TOWN OF CLAYTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements include revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charged to customers for sales or services. Principal operating expenses are the cost of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

FUND TYPES AND MAJOR FUNDS

The Town reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Proprietary Funds - The Town reports the following major enterprise funds:

Clayton Public Works Authority - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

Annually a legally adopted budget is prepared for the General Fund and other governmental funds and an operating budget forecast is prepared for the Public Works Authority Funds. The budgets are formally approved by the Board of Trustees before filing with the State of Oklahoma. Actual expenditures within the General Fund may not legally exceed the adopted budget appropriations at the object category level within the department of a fund.

Investments

The Town follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits.

TOWN OF CLAYTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2014 is not believed to be material. The Town is working to update and maintain an inventory list.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are not reported in the government-wide and fund financial statements.

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	20-100
Improvements, other than buildings	20-100
Infrastructure	25-50
Machinery and equipment	3-25

TOWN OF CLAYTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Compensated Absences

It is the Town's policy to allow permanent and full-time employees to accumulate earned but unused vacation and sick pay benefits up to certain limits. These amounts are accrued, for which the employee is vested that would be paid upon termination are charged to expense and a corresponding liability is established when earned. The portion of the liability that is anticipated to be paid within the next fiscal year is reported as a current liability, while the remainder is reported as a long-term liability.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2014, all of the Town's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$299,764 at June 30, 2014. The bank balance of the deposits at June 30, 2014 was approximately \$586,930.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2014.

TOWN OF CLAYTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Trustees monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2014, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.

NOTE C - ACCOUNTS RECEIVABLE

The Authority records the total due on utility accounts owed the proprietary fund for services unpaid at June 30. No allowance for bad debt is recorded as all accounts are considered collectible.

The governmental funds have accrued sales tax, use tax, gasoline excise tax, and cigarette tax to be received in July and August. Franchise tax, alcoholic beverage tax, and motor vehicle excise tax are accrued for amounts to be received in July.

NOTE D - RESTRICTED CASH AND INVESTMENTS

The Clayton Public Works Authority has reported the following restricted cash and investments:

Restricted Cash - Customer deposits	\$ 26,311
Restricted Investments - Customer deposits	13,744
Rural Development Reserve	<u>10,145</u>
Total Restricted	<u>\$ 50,200</u>

NOTE E - CAPITAL LEASES

The City has entered into lease agreements as lessee for financing the acquisition of equipment. The lease agreements qualify as capital leases for accounting purposes since title transfers at the end of the lease term and it has been recorded at the present value of the future minimum lease payments. The lease contains a clause which gives the City the ability to terminate the lease agreement at the end of each fiscal year.

Capital lease transactions for the year ended June 30, 2014 are as follows:

Payable at July 1, 2013	Additions	Retirements	Balance at June 30, 2014
<u>\$ 13,217</u>	<u>\$ -</u>	<u>\$ (1,161)</u>	<u>\$ 12,056</u>
<u>\$ 13,217</u>	<u>\$ -</u>	<u>\$ (1,161)</u>	<u>\$ 12,056</u>

TOWN OF CLAYTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, is as follows:

Year Ending June 30	Truck	Total
2015	\$ 3,264	\$ 3,264
2016	3,264	3,264
2017	3,264	3,264
2018	3,264	3,264
2019	3,264	3,264
2020	<u>2,432</u>	<u>2,432</u>
Total minimum lease payment	18,752	18,752
Less: Amount representing interest	<u>6,696</u>	<u>6,696</u>
Total	<u>\$ 12,056</u>	<u>\$ 12,056</u>

NOTE E - NOTES PAYABLE PROPRIETARY FUND

The following is a summary of the long-term debt transactions of the City for the year ended June 30, 2014:

	Balance at July 1, 2013	Retirements/ Additions	Balance at June 30, 2014
Rural Development	\$ 416,915	\$ 1,227,418	\$ 1,644,333
Rural Development	133,467	(2,167)	131,300
Total	<u>\$ 550,382</u>	<u>\$ 1,225,251</u>	<u>\$ 1,775,633</u>

A brief description of the outstanding notes payable at June 30, 2014 is set forth below:

<u>Outstanding</u>	<u>Amount</u>
Rural Development loan dated October 13, 2009, original loan amount of \$1,697,000, interest rate 1.875%, payable in monthly installments of \$5,041.	1,644,333
Rural Development loan dated March 31, 1999, original loan amount of \$150,000, interest rate 4.75%, payable in monthly installments of \$705.	<u>131,300</u>
Total	<u>\$1,775,633</u>

TOWN OF CLAYTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

The annual principal payments due over the next five years and thereafter are as follows. Actual debt service requirements will vary depending on the variable interest rate in effect at the time of payment.

Year ending June 30	Rural Development		Total
	Principal	Interest	
2015	\$ 31,896	\$ 37,056	\$ 68,952
2016	32,567	36,385	68,952
2017	33,351	35,601	68,952
2018	33,956	34,996	68,952
2019	34,677	34,275	68,952
2020-2024	184,811	159,949	344,760
2025-2029	205,646	139,114	344,760
2030-2034	229,249	115,511	344,760
2035-2039	256,086	88,674	344,760
2040-2044	269,833	58,712	328,545
2045-2049	269,830	32,630	302,460
2050-2053	193,731	7,239	200,970
Total	<u>\$ 1,775,633</u>	<u>\$ 780,142</u>	<u>\$ 2,555,775</u>

The Authority incurred interest of \$39,966 on long-term debt during the year.

NOTE G - CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, DEPRECIATED				Capital Assets Not Depreciated Land
	Buildings	Infrastructure & Improvements Other Than Buildings	Furniture, Machinery, And Equipment	Totals	
PRIMARY GOVERNMENT					
Governmental activities					
Balance, June 30, 2013	\$ -	\$ -	\$ 475,503	\$ 475,655	\$ -
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2014	-	-	475,503	475,503	-
Accum. Deprec.					
Balance, June 30, 2013	-	-	274,246	274,246	
Increase	-	-	44,961	44,961	
Decreases	-	-	-	-	
Balance, June 30, 2014	-	-	319,207	319,207	
Governmental activities					
Capital Assets, Net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,296</u>	<u>\$ 156,296</u>	<u>\$ -</u>
Business-type activities					
Balance, June 30, 2013	\$ 10,150	\$ 250,074	\$ 2,634,637	\$ 2,894,861	\$ 256,894
Increases	-	1,740,752	-	1,740,752	-
Decreases	-	-	-	-	-
Balance, June 30, 2014	10,150	1,990,826	2,634,637	4,635,613	256,894
Accum. Deprec.					
Balance, June 30, 2013	5,416	2,940	2,098,007	2,106,363	
Increase	677	1,470	125,165	127,312	
Decreases	-	-	-	-	
Balance, June 30, 2014	6,093	4,410	2,223,172	2,233,675	
Business-type Activities					
Capital Assets, Net	<u>\$ 4,057</u>	<u>\$ 1,986,416</u>	<u>\$ 411,465</u>	<u>\$ 2,401,938</u>	<u>\$ 256,894</u>
PRIMARY GOVERNMENT					
Capital Assets, Net	<u>\$ 4,057</u>	<u>\$ 1,986,416</u>	<u>\$ 567,761</u>	<u>\$ 2,558,234</u>	<u>\$ 256,894</u>

TOWN OF CLAYTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENT ACTIVITIES		BUSINESS-TYPE ACTIVITIES
General government	\$ 44,961	Utilities
		\$ 127,312

NOTE H - PENSION OBLIGATIONS

Oklahoma Firefighter's Pension and Retirement System

The Town participates in this statewide, cost-sharing, multiple-employer benefit plan on behalf of firefighters. The system is administered by an agency of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations, as necessary. The following is a summary of eligibility factors, contribution methods, and benefit provisions.

	<u>Oklahoma Firefighter's Pension And Retirement System</u>
Eligibility to Participate	All full-time or voluntary Firefighters of a participating Municipality hired before age 45
Authority establishing contribution obligation and benefit provisions	State Statute
Plan members' contribution rate	8% of covered payroll
Town's contribution rate	13% of covered payroll/\$60 per volunteer
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	20 years credited service, 2 ½% of final average salary multiplied by the years of credited service with a maximum of 30 years considered; If vested, at or after age 50, or after 10 but before 20 years of Credited service, with reduced benefits
Benefits and eligibility for distribution (Volunteer)	20 years credited service equal to \$5.46 per month per year of service With a maximum of 30 Years considered
Deferred retirement option	Yes, 20 years credited service with Continued service for 30 or more years
Provisions for:	
Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Death (duty, non-duty, post-retirement)	Yes
Disability	Yes
Cost of living allowances	Yes

Contributions required by State Statute:

Fiscal <u>Year</u>	<u>Required Contribution</u>	<u>Percentage Contributed</u>
2014	\$ 840	100%
2013	\$ 900	100%
2012	\$ 720	100%

TOWN OF CLAYTON, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE I - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town carries commercial insurance for risk of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE J - FEDERAL AND STATE GRANTS

In the normal course of operations, the Town receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of the funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

TOWN OF CLAYTON, OKLAHOMA
SCHEDULE OF FEDERAL AWARDS EXPENDED
FOR THE YEAR ENDED JUNE 30, 2014

<u>FEDERAL AGENCY NAME</u>	<u>PASS THROUGH AGENCY</u>	<u>FEDERAL PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>OTHER IDENTIFICATION NUMBER</u>	<u>FROM DIRECT AWARDS</u>	<u>FROM PASS THROUGH AWARDS*</u>	<u>TOTAL</u>
Rural Economic Development		Rural Development	10.854		\$1,697,000	\$ -	\$1,697,000
Rural Economic Development		Rural Development Grant	10.854		<u>472,159</u>	<u>-</u>	<u>472,159</u>
		TOTAL FEDERAL ASSISTANCE			<u>\$2,169,159</u>	<u>\$ -</u>	<u>\$2,169,159</u>

The accompanying notes are an integral part of this statement.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the Board of Trustees
Town of Clayton
Clayton, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Clayton, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Clayton, Oklahoma's basic financial statements, and have issued my report thereon dated March 13, 2017 which did not include Management's Discussion and Analysis or budgetary comparison schedules.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Town of Clayton, Oklahoma's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Clayton, Oklahoma's internal control. Accordingly, I do not express an opinion of the effectiveness of Town of Clayton, Oklahoma's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned cost, we identified certain deficiencies in internal control that we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, reference number 2014-1, 2014-2, 2014-3, 2014-4 and 2014-5.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies, reference number 2014-1, 2014-2, 2014-3, 2014-4 and 2014-5.

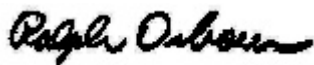
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Clayton, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2014-1, 2014-2, 2014-3, 2014-4 and 2014-5.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
March 13, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Honorable Mayor and Members of the Board of Trustees
Town of Clayton
Clayton, Oklahoma

Report on Compliance for Each Major Federal Program

I have audited Town of Clayton, Oklahoma (the Town) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2014. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned cost.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the Town's major federal programs based on my audit of the types of compliance requirements referred to above. I have conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as I considered necessary in the circumstance.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In my opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
March 13, 2017

TOWN OF CLAYTON, OKLAHOMA
STATUS OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

Section I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Qualified on modified cash
basis of accounting

Internal control over financial reporting:

Material weakness(es) identified? ☐ Yes ☒ No

Significant deficiency identified that is
not considered to be material weakness(es)? ☐ Yes ☒ None Reported

Noncompliance material to financial
statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

Material Weakness(es) identified? ☐ Yes ☒ No

Significant deficiency identified that is
not considered to be material weakness(es)? ☐ Yes ☒ None Reported

Type of auditor's report issued on compliance
to major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with section
510(a) of Circular A-133 ☐ Yes ☒ No

Programs tested as Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.854</u>	<u>Rural Economic Development</u>

Dollar threshold used to distinguish
between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

Section II - Financial Statement Findings

Certain matters were noted in the Schedule of Audit Findings.

Section III - Federal Award Findings and Questioned Cost

No matters were noted.

TOWN OF CLAYTON, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

2014-1 - Purchase orders

Condition: The Town did not maintain purchase orders for the Public Works expenditures and some for the Town.

Criteria: The Town and Public Works are required to maintain proper purchase orders.

Cause: Purchase orders should be used and approved by the board before the expenditures occur.

Effect: Using proper purchase orders will be part of internal control process and has the board approval on the types, quantities, and agreed prices for purchasing.

Recommendation: The Town should maintain purchase orders for the Town and Public Works.

2014-2 - Town and Public Works minutes

Condition: The Town of Clayton and Clayton Public Works Authority are separate legal entities. Town and Public Works Authority meetings were held together instead of being held separately. In some meetings, the Town approved Public Works items in the Town meeting instead of in the Public Works portion of the meeting.

Criteria: The Town and Authority are required to conduct meetings in accordance with the Oklahoma Open Meetings Act.

Cause: The Town may have violated the Oklahoma Open Meetings Act by failing to vote on items in the correct meeting.

Recommendation: The Town should hold the Town and Public Works meetings separately to ensure they are voting on Public Works items in the Public Works meeting.

2014-3 - Collateral Pledge

Condition: The Town had deposits exceeding FDIC Insurance at one bank.

Criteria: The Town is required to obtain a collateral pledge to cover the excess funds above the FDIC Insurance.

Cause: The bank failed to pledge securities to cover the amount over FDIC Insurance.

Recommendation: The Town should obtain a collateral pledge to cover excess funds.

2014-4 - Reconciliations

Condition: The Town is not using bank reconciliations properly. The balance in the bank reconciliations are not matched with the balance reported in the General Ledger.

Criteria: The Town should properly perform and utilize bank reconciliations each month.

Cause: The Town has old outstanding items that do not clear the bank and are voided at a later date to clear the transactions.

TOWN OF CLAYTON, OKLAHOMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

Effect: The outstanding is likely due to double entries from transferring between accounts and to dummy accounts. These outstanding checks and deposits on the reconciliations are making the accounts appear overstated or understated.

Recommendation: The Town should properly use and maintain the reconciliations each month to ensure that they are correct and have a clear understanding of what the bank account balance is. This is a part of good internal control for the Town to monitor the account balances and transactions.

2014-5 - Overstating of revenues and expenditures

Condition: The Town uses dummy accounts to show revenues and expenses for each fund. The Town also runs transfers between accounts through revenue and expense. The Town also will put water expenses into water revenue which understates both water revenue and water expense.

Criteria: The Town should not run transfers between accounts through revenue and expense accounts and should use classes or sub expense and revenue accounts. The Town should show revenues and expenses separately.

Cause: The transfers between bank accounts and to dummy accounts are double entered to show the income/expense into the bank account and the revenue/expense account, but then adjusted to move the money to a different bank account or dummy account and ran through revenue/expense again.

Effect: The double entries to transfer money between bank accounts and Dummy accounts causes an overstatement in revenues and expenses.

Recommendation: The Town should consider more training with the accounting software.